

1999 SENATE FINANCE AND TAXATION

SB 2323

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2323

SENATE FINANCE AND TAXATION COMMITTEE

Hearing Date January 25, 1999

Tape Number	Side A	Side B	Meter #
1	x		0 to 3308
Committee Clerk Signature <i>Shirley Wald</i>			

Minutes:

OPEN MEETING ON SB2323

SENATOR URLACHER:

ALL SENATORS PRESENT

SENATOR URLACHER: recognize the fiscal note

SENATOR KROEPLINA: fiscal note attached and charitable gaming laws to reduce the expense of charitable gaming, Excise tax is on all pull tabs

SENATOR CHRISTMANN: history of the rate of taxation over the years,

SENATOR KROEPLINA: it has changed from 2% to 4.5%

SENATOR URLACHER: any further questions, testimony

TODD CRANDA: Support of SB2323 and would support concepts to reduce taxes

SENATOR WARDNER: is it 4.5% on all gross proceeds at this point

TODD CRANDA: I understand that this is correct for the first 25 thousand would not be covered then it would be after that

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Senate Finance and Taxation Committee

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SENATOR URLACHER: any further testimony

JONATHON ORTES: taxes have been increase at the cost of charities and the gaming committee. 4.5% expense money became shorter and a few sessions ago we were allowed another 2.5% after that. Games have gone up with minimum wage, costs gone up and small businesses are giving up gambling. need more money and a tightening economy

SENATOR B.STEMEHJEM: labor part of pull tabs so high, pull tab dispensing machines

JONATHAN ORTES: yes, cost to buy the machine is to high, extra money that you have to have around for payouts.

SENATOR B.STEMEHJEM: certain cost for operating

JONATHAN ORTES: 50% profit and 2.5% for gross. the expenses back have been a lifesaver.

All expenses going up

SENATOR B.STEMEHJEM: what is the cost of games

JONATHAN ORTES: 32 and 38 for a box, tabs 28 or 32 for box of tabs

SENATOR B.STEMEHJEM: when was the last time they went up

JONATHON ORTES: they have went from 22- 28

SENATOR CHRISTMANN: review of profit and gross mentioned earlier

JONATHON ORTES: excises tax is taken off the gross, subtract state and federal tax. Same two amounts are taken off the net gross

SENATOR CHRISTMANN: take 50% from the gross where does the other 150 go

JONATHON ORTES: figuring of funds, over the year the charity percentage has gotten smaller

SENATOR CHRISTMANN: refiguring of expenses related to the gaming commission

JONATHON ORTES: figuring of taxes and profit

SENATOR URLACHER: Questions, any other testimony

CHUCK KELLER: SEE TESTIMONY

SENATOR KINNOIN: of 112% that had profit, how many are smaller organizations

CHUCK KELLER: primarily the operations that operate the game of 21, labor intensive and those who operate pull tab dispensors

SENATOR B.STEMEHJEM: illegal to have someone under 21 operate the machine

CHUCK KELLER: would be illegal because it would not meet the gaming statute

SENATOR CHRISTMANN: excess expenses and what the charitable institution and where is the shortage coming from

CHUCK KELLER: excess expenses can come from membership dues, bake sales or any other fund raising activity, would not have efficient funds in the trust accounts to meet obligations

SENATOR B.STEMEHJEM: fiscal note and 1.5million and increase, what is the other taxes involved with hiring someone else and the general fund increase and is this reflected in the fiscal note.

CHUCK KELLER: Forecasting the gaming industry in straight line or biennium vs. biennium

SENATOR B.STEMEHJEM: changing the formula and charities that can't do gaming and the fiscal impact of that

CHUCK KELLER no significant decrease in the number of organizations that are conducting games

SENATOR B.STEMEHJEM: if there is though, what kind of impact would that have if they can't meet their expenses

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Senate Finance and Taxation Committee

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CHUCK KELLER: numbers are identical and two thirds have extra expense money and one third don't, no decrease in establishments that operate gaming.

SENATOR B.STEMEHJEM: Sharing of expenses with other establishments

CHUCK KELLER: they can do anything with the money except noncompliance with the statute

SENATOR B.STEMEHJEM: under expensed at the elks club, can they give the credit to the hope fire department

CHUCK KELLER: YES, under expensed of 10 thousand and what can be done with those funds

DISCUSSION 02/02/99 TAPE 6125 - END A MOTION WAS MADE BY SEN WARDNER

TO DO NOT PASS SECONDED BY SEN CHRISTMANN. VOTE WAS 5 Y 2 N 0 ABSENT

SEN SCHOBINGER WILL CARRY.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2323 Amendment to: _____

Requested by Legislative Council Date of Request: 1-20-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

This bill would exempt a gaming organization's first \$25,000 of gross proceeds of pull tabs each quarter from the North Dakota excise tax. The excise tax rate is four and one-half percent.

The bill would have a negative State fiscal effect.

2. State fiscal effect in dollar amounts:

	1997-1999 Biennium		1999-2001 Biennium		2001-2003 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	-0-	-0-	(\$1,959,000)	-0	(\$2,239,000)	-0
Expenditures:	-0-	-0-	-0-	-0	-0-	-0

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-1999 biennium: None
- b. For the 1999-2001 biennium: None
- c. For the 2001-2003 biennium: None

4. County, City, and School District fiscal effect in dollar amounts:

1997-1999 Biennium			1999-2001 Biennium			2001-2003 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

If additional space is needed, attach a supplemental sheet.

Signed Charles Keller

Typed Name Charles Keller

Date Prepared: 1-22-99

Department Office of Attorney General

Phone Number 328-4482

Date: 2/3/99
Roll Call Vote #: ①

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2323

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Sen. Wardner Seconded By Sen. Christmann

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN		✓			
SENATOR KROEPLIN		✓			

Total (Yes) 5 No 2

Absent _____

Floor Assignment Sen. Schobinger

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 10, 1999 3:53 p.m.

Module No: SR-27-2512
Carrier: Schobinger
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2323: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2323 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

SB 2323

Chuck Keller

OFFICE OF ATTORNEY GENERAL
GAMING DIVISION

Forecasted Gaming Activity for the 1999-2001 Biennium
(Excludes Parimutuel Wagering)
January 5, 1999

	<u>Gross Proceeds</u>	<u>Prizes</u>	<u>Adj Gross Proceeds</u>	<u>Gross Profit %</u>
Bingo - Regular	\$ 97,467,000	\$ 74,075,000	\$ 23,392,000	24%
Bingo - Disp. Dev.	160,000	136,000	24,000	15%
Raffles	4,132,000	1,777,000	2,355,000	57%
Pull Tabs - Jars	263,810,000	208,410,000	55,400,000	21%
Pull Tabs - Disp. Dev.	111,064,000	86,630,000	24,434,000	22%
Board Games	2,779,000	1,973,000	806,000	29%
Punchboards	41,000	29,000	12,000	29%
Sports Pools	250,000	190,000	60,000	24%
Twenty-one	73,737,000	59,727,000	14,010,000	19%
Calcuttas	240,000	204,000	36,000	15%
Paddlewheels	1,729,000	1,487,000	242,000	14%
Poker	<u>6,000</u>	<u>0</u>	<u>6,000</u>	<u>100%</u>
Totals	\$ 555,415,000	\$ 434,638,000	\$ 120,777,000	22%

→ Add: Interest Earned	\$ 167,000
Less: ND Excise Tax	16,401,000
Federal Excise Tax	320,000
Bingo Sales Tax	5,458,000
Uncollected Checks	<u>78,000</u>
Total Adjusted Gross Proceeds	<u>\$ 98,687,000</u>

Control amt is based

Less: Gaming Tax	\$ 6,691,000
Allowable Expenses	<u>57,692,000</u>
Total Expenses	\$ 64,383,000

Net Proceeds Earned → \$ 34,304,000

Must deduct to org for charity

Eligible Use Contributions \$ 34,304,000

Taxes Summary

ND 4.5% Excise Tax	→ \$ 16,401,000
Gaming Tax	→ <u>6,691,000</u>
Total	<u>\$ 23,092,000</u>

Other Revenue

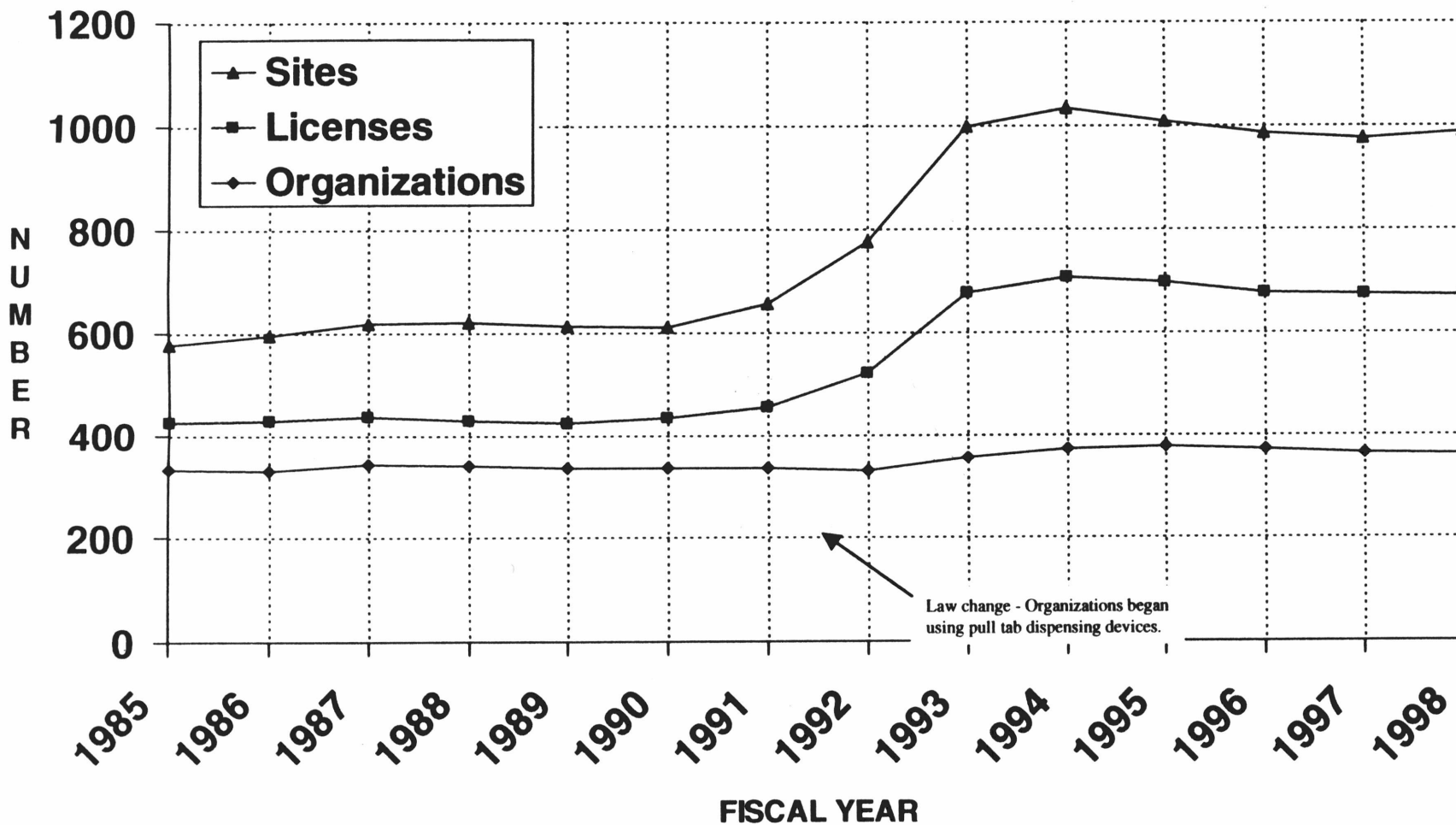
Monetary Fines	\$ 53,000
Interest and Penalty	26,000
Gaming Stamps, License and Record Check Fees	<u>391,000</u>
Total	\$ 470,000

Total Taxes and Other Revenue \$ 23,562,000

Office of Attorney General
Gaming Division
January 19, 1999

*Abstract
Keller
2*

**Number of Sites, Licenses and Organizations
For Fiscal Years 1985 Through 1998**



*Chick
Allen
#3*

OFFICE OF ATTORNEY GENERAL
Gaming Division

January 8, 1999

Overview of Gaming Organizations' Under and Excess Expenses
for the Fiscal Year Ended June 30, 1998

*act exceeded
amt allowed*

<u>No. of Org.</u>	<u>Under Expenses</u>	<u>No. of Org.</u>	<u>Excess Expenses</u>
248	\$3,044,508	112	\$2,310,706

Notes:

1. "Under expenses" is the amount that organizations' actual expenses are below the allowable expense limit. Organizations may use this amount for any purpose.
2. "Excess expenses" is the amount that organizations' actual expenses exceed the allowable expense limit. Organizations must reimburse this amount to their gaming accounts to disburse to eligible uses.
3. History of the allowable expense limit:

<u>Period</u>	<u>% of Adjusted Gross Proceeds (AGP) by Fiscal Year</u>
→ 1977-79	33%
1979-83	35%
1983-85	35% if the org. had 1 site 38% if the org. had more than 1 site
1985-87	40% if the org. used net proceeds for its own use 45% if the org. did not use net proceeds for its own use
1987-89	45%
1989-93	50% of first \$200,000 45% of AGP exceeding \$200,000
1993-95	50% of first \$200,000 45% of AGP exceeding \$200,000 35-50% for sites that exclusively have pull tab dispensing devices Cost of video surveillance equipment for twenty-one
→ 1995-Present	50% of first \$200,000 45% of AGP exceeding \$200,000 Cost of video surveillance equipment for twenty-one 2½% of pull tab gross proceeds